



## THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: December 3, 2003 REPORT NO. 03-247

ATTENTION: Mayor and Members of the City Council  
Docket of December 9, 2003

SUBJECT: Amendment to Public Use Lease Parcel A (Parking Lease) – Las Americas

REFERENCE: Manager's Reports No.'s CMR-02-110/RA-02-08, dated May 22, 2002; RA-01-08 dated June 13, 2001; 01-035, dated February 21, 2001; 00-247, dated November 12, 2000; RA-00-19, dated November 15, 2000; RA-00-03, dated February 16, 2000; RA-98-4, dated May 6, 1998; and RA-97-8, dated July 11, 1997.

### SUMMARY

#### Issue-

Should the Council introduce and hold a first reading of an ordinance approving an amendment to the Public Use Lease Parcel A (for parking), phasing the lease payments and adjusting the boundaries?

#### Manager's Recommendation -

That the City Council introduce and hold a first reading of an ordinance approving an amendment to the Public Use Lease Parcel A (for parking), phasing the lease payments and adjusting the boundaries.

#### Other Recommendations - None.

#### Fiscal Impact -

The Amendment to the Public Use Lease Parcel A would phase the lease payments by the City to the Developer, but not change the total amount paid by the City to the Developer.

Environmental - The City Council certified the Final Environmental Impact Report (adopted April 2, 1996 by Council Resolution No. R-287149) and a Mitigated Negative Declaration (MND) (adopted on May 12, 1998 by Council Resolution No. R-290105 SCNo. 98031064) for this project with approval of the DDA on May 12, 1998.

## BACKGROUND

On May 12, 1998 the Redevelopment Agency and LandGrant Development entered into a Disposition and Development Agreement to develop Las Americas, a 1.4 million square foot mixed-use retail, office, hotel, and transit center on a 67 acre site in San Ysidro adjacent to the old commercial border crossing at Virginia Avenue. The project has a value of approximately \$260 million and would generate an estimated 2,200 permanent and 3,400 construction jobs, \$1.6 million in annual sales tax dollars, \$900,000 in annual tax increment dollars, \$1.01 million in annual transient occupancy tax dollars, and \$1.3 million in annual bridge revenue. The project proposed linking San Diego to Tijuana via a new monumental pedestrian bridge that would celebrate our two cities and cultures.

In November 21, 2000 the City Council approved the discretionary permits for the first two phases of the project (Parcels A and B/C). The City Council also approved entering into two Public Use Leases (Parcel A and Parcel B/C) for public parking with International Gateway Associates, LLC on February 21, 2000, to facilitate the project financing.

LandGrant Development opened the first phase of Las Americas on November of 2001, consisting of 370,000 square feet of retail shops and restaurants (Parcel B/C). The project has received national and international attention both for its architectural design and the impact on the border area. The project has been featured on the national ABC evening news, KPBS television, the Travel Channel and major periodicals.

## DISCUSSION

The action before the Council will allow for an amendment to the Public Use Lease for Parcel A (Parking Lease) which provides for an adjustment to the lease payment schedule to reflect the phasing of construction on Parcel A and minor adjustments to the physical location of the parking spaces. The original lease was approved by the Council on March 20, 2001, by Ordinance OO-18932.

The Parking Lease was previously presented to Council along with the Fourth Implementation Agreement to the DDA, approved by the City Council and Redevelopment Agency on May 28, 2002. Unfortunately, due to an error, the City Clerk's office did not have the final version of the Parking Lease on file when heard by the Council. Because of this error, Agency staff must return to Council to have the Parking Lease ratified, under advisement from the City Attorney's office.

As described to the City Council on May 28, 2002, the amendment to the Public Use Lease for Parcel A will provide for the conveyance and development of Parcel A in three (3) phases as follows:

BUILDING PHASING (A-1 WITH BLDG X)				A-3 WITH BLDG X	
PARCEL/PHASE	BUILDINGS	SQ.FT.	% OF TOTAL	SQ.FT.	% OF TOTAL
A-1 (1B1)	A,B,D,V,X(opt),E,U	213,095	78.92%	189,115	70.04%
A-2 (1B2)	Z (Library)	28,155	10.43%	28,155	10.43%
A-3 (1B3)	Y,T,X(opt)	28,750	10.65%	52,730	19.53%
<b>TOTAL</b>		<b>270,000</b>	<b>100.00%</b>	<b>270, 000</b>	<b>100.00%</b>

The Parking Lease would allow for the phasing of lease payments by the City to the Developer, but not change the total amount paid by the City to the Developer. The following table describes the phased payment schedule (sales taxes) under the Parking Lease to match the construction schedule:

LEASE PAYMENT SCHEDULE			
BASE RENT A	PARCEL/PHASE	% OF PHASING	PAYMENT
\$6,306,000 Old Lease Payment	A-1 (1B1)	70.04%	\$4,416,886
	A-2 (1B2) - remainder	29.96%	\$1,889,114
<b>TOTAL</b>		<b>100.00%</b>	<b>\$6,306,000</b>
FIRST TIER BASE RENT			
FTBR A	PARCEL/PHASE	% OF PHASING	PAYMENT
\$1,145,000 Old Lease Payment	A-1 (1B1)	70.04%	\$801,988
	A-2 (1B2) - remainder	29.96%	\$343,012
<b>TOTAL</b>		<b>100.00%</b>	<b>\$1,145,000</b>
SECOND TIER BASE RENT			
STBR A	PARCEL/PHASE	% OF PHASING	PAYMENT
\$5,161,000 Old Lease Payment	A-1 (1B1)	70.04%	\$3,614,898
	A-2 (1B2) - remainder	29.96%	\$1,546,102
<b>TOTAL</b>		<b>100.00%</b>	<b>\$5,161,000</b>

In addition, the ordinance for this item has been modified to include language which acknowledges the intent of the City Council that the various permits and approvals issued by the City of San Diego with respect to the Las Americas Project (including without limitation the Coastal Development Permit/Site Development Permit No. 40-338 approved on November 2, 2000 by City Council Resolution No. R-294284) should not be interpreted or construed as being inconsistent with, or otherwise prohibiting or interfering with, the uses contemplated by the Public Use Lease. The intended purpose of this language is to help eliminate any perceived conflicts between the various documents executed for the former and continuing development of this major project in San Ysidro.

#### ALTERNATIVE

Do not approve this action. This would disable LandGrant's ability to acquire construction financing for the Phase 1B1 retail component and potentially stop the development of the remainder of the project.

Respectfully submitted,

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Hank Cunningham  
Director  
Community & Economic Development

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Bruce Herring  
Deputy City Manager

CUNNINGHAM/RC

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

ATTACHMENT:      Amendment to Public Use Lease Parcel A (parking lease)